

STATE OF WASHINGTON
DEPARTMENT OF INFORMATION SERVICES
Olympia, Washington 98504-2445

September 3, 2003

Mr. Gerald J. Marolda
Client Business Manager
AT&T Government Solutions
State of Washington & Montana
2827 20th Ave Ct. NW
Gig Harbor, WA 98335

Sent via Facsimile: (253) 851-8107

Re: AT&T Toll-Free Re-billing Relief Proposal of August 22, 2003

Dear Mr. Marolda:

This letter is in response to AT&T's letter, dated August 22, 2003, containing the AT&T Toll-Free Re-billing Relief Proposal related to AT&T's Master Contract with the state of Washington to provide toll-free services (T01-MST-007).

While the State appreciates AT&T's offer to reduce the amount that it intends to collect from the State by about \$980K, the proposal is structured in such a way as to render it unworkable in its current form. Specifically, AT&T's proposal apparently assumes DIS' authority to act on behalf of purchasers. AT&T has been previously informed that DIS does not exercise legal or financial control over contract purchasers or their budgets. While DIS can commit to a reduction in the total amount to be recovered from purchasers, each agency is free to dispute any amount that DIS might agree to. This holds true for state agencies as well as the many non-state organizations that are purchasers under AT&T's contract.

Likewise, acceptance of two of the commitments required by AT&T in its proposal (#2 Minimum revenue commitment and #3 Accept AT&T re-billing methodology/process) also can be made only by each individual contract purchaser. While it is within the purview of each organization that uses the AT&T Toll-free master contract to agree to a minimum revenue commitment, DIS cannot amend the master contract to include such a commitment.

Additionally, some purchasers may have difficulty accepting AT&T's billing process that has been flawed since the contract's inception. Although the individual purchasers will make their own separate decisions, it is unlikely that any Washington State public entity will agree to a resolution

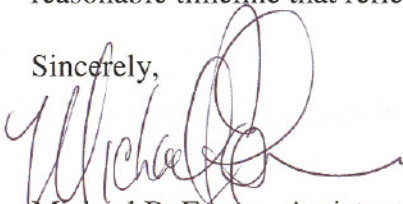
Mr. Gerald J. Marolda
Page Two
September 3, 2003

of the under-billing issues without a squeaky clean audit trail or corrected bills for the past 26 months so that the over-billed amounts can be offset against any under-billed amounts due.

It is within DIS' purview as the Master Contract Administrator to agree to the other required commitments, i.e., the two year renewal of the Master Contract (to the end of the contract term, i.e., May 2006), and the B&O tax and quarterly report and fee payments, but it would be premature to agree to such without a proposal that provides workable plan for resolution.

DIS remains interested in working with AT&T to arrive at a realistic resolution of the billing issues for all parties. In order to proceed, however, AT&T needs to provide an offer with a reasonable timeline that reflects an understanding of the limits of DIS' authority in this matter.

Sincerely,



Michael B. Emans, Assistant Director
Washington State Department of Information Services

cc: Jon Peacock